

ELIAS C. ALVORD (1942)
ELLSWORTH C. ALVORD (1964)

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RECORDATION NO. 20745

FILED

JUN 5 '97

10-50AM

OF COUNSEL
URBAN A. LESTER

June 4, 1997

Mr. Vernon A. Williams
Secretary
Surface Transportation Board
Washington, D.C. 20423

Dear Mr. Williams:

Enclosed for recordation pursuant to the provisions of 49 U.S.C. Section 11301(a), are five (5) copies of a Mortgage and Security Agreement, dated as of June 5, 1997, a primary document as defined in the Board's Rules for the Recordation of Documents.

The names and addresses of the parties to the enclosed document are:

Borrower: Residual Based Finance Corporation
Three First National Plaza, Suite 1240
Chicago, Illinois 60602

Lender: ING Lease (Ireland), B.V.
49 St. Stephens Green
Dublin, Ireland

A description of the railroad equipment and lease covered by the enclosed document is set forth on Schedule I attached to the Security Agreement.

RECEIVED
SURFACE TRANSPORTATION
BOARD

JUN 5 10 42 AM '97

Counterparts - E. C. Alvord

Mr. Vernon A. Williams
June 4, 1997
Page 2

Also enclosed is a check in the amount of \$24.00 payable to the order of the Surface Transportation Board covering the required recordation fee.

Kindly return stamped copies of the enclosed document to the undersigned.

Very truly yours,

A handwritten signature in black ink, appearing to read 'R. Alvord', with a stylized flourish at the end.

Robert W. Alvord

RWA/bg
Enclosures

RECORDATION NO. 20705 FILED

JUN 5 '97

10-50AM

MORTGAGE AND SECURITY AGREEMENT

THIS MORTGAGE AND SECURITY AGREEMENT dated as of June 5, 1997 (the "Security Agreement") is executed by RESIDUAL BASED FINANCE CORPORATION, an Illinois corporation ("Borrower"), in favor of ING LEASE (IRELAND), B.V., acting through its Dublin Branch ("Lender"), parties to the Loan Agreement referred to below.

RECITALS:

A. Borrower and Lender, have entered into a Loan Agreement dated as of December 4, 1996 (the "Loan Agreement"), providing for the commitment of Lender thereunder to make a Facility B Loan to Borrower.

B. Capitalized terms used herein and not otherwise defined shall have the meanings given to them in the Loan Agreement.

SECTION 1. GRANT OF SECURITY.

Borrower in consideration of the premises and of other good and valuable consideration, receipt of which is hereby acknowledged, to secure the payment of the Obligations does hereby convey, warrant, mortgage, assign, pledge and grant to Lender, a security interest in all and singular of Borrower's right, title and interest in and to the properties, rights, interests and privileges described in Sections 2.1, 2.2 and 2.3 hereof (all of which properties hereby mortgaged, assigned and pledged or intended so to be are hereinafter collectively referred to as the "Collateral").

SECTION 2. DESCRIPTION OF COLLATERAL.

The Collateral includes all of the foregoing, but excludes in all cases any Excluded Payments:

2.1. Units. The locomotives described in Schedule 1 attached hereto and made a part hereof constituting the Units (the "Units"); together with all accessories, equipment, parts and appurtenances appertaining or attached to any of the Units hereinabove described to the extent of Borrower's interest therein, whether now owned or hereafter acquired, and all substitutions, renewals or replacements of and additions, improvements, accessions and accumulations to any and all of said Units, together with all the rents, issues, income, profits and avails therefrom.

2.2. Rental Collateral.

(a) All right, title, interest, claims and demands of Borrower as Lessor in, to and under the Equipment Lease dated as of June 28, 1996, between Borrower and Bangor & Aroostook Railway Company (the "Lease"), the Lease Supplements executed

pursuant thereto, the Guarantees, the Locomotive Remanufacturing Agreement dated as of June 28, 1996 between Lessee and National Railway Equipment Company including warranties thereunder or related thereto, the Locomotive Remanufacturing Agreement Assignment dated as of June 28, 1996 between Borrower and Lessee, the Purchase Agreement dated as of June 28, 1996 between Borrower and Lessee, the Bill of Sale provided for therein, any other lease or rental agreement and warranties of any type relating to the Units, together with all renewals, amendments and modifications thereof (collectively, the "Assigned Documents"), including without limitation (i) the immediate and continuing right to receive and collect all Rent (as defined in Section 1 of the Lease), Casualty Occurrence payments (as referenced in Section 11.2(a) of the Lease), insurance proceeds, condemnation awards and other payments, tenders and security now or hereafter payable or receivable by Lessor under the Lease or any replacement lease, (ii) the right, subject to Section 9.1 of the Loan Agreement, to take such action upon the occurrence of a Lease Event of Default under the Lease or any replacement lease or an event which, with the lapse of time or the giving of notice, or both, would constitute a Lease Event of Default under the Lease or any replacement lease, including the commencement, conduct and consummation of legal, administrative or other proceedings, as shall be permitted by the Lease or replacement lease or by law, and to do any and all other things whatsoever which Borrower or any lessor is or may be entitled to do under the Lease or any replacement lease, and (iii) all other rights of Borrower to exercise any election or option or to make any decision or determination or to give or receive any notice, consent, waiver or approval or declaration of default or to take any other action under or in respect of any Assigned Document;

(b) any sublease, assignment, or user contract relating to the Units, together with all renewals of any such sublease, assignment, or user contract executed or in effect from time to time, and all payments, including, without limitation, all payments of rent, all insurance proceeds (other than public liability insurance proceeds) (including, without limitation, return premiums) and all other amounts due or to become due thereunder;

(c) any right to restitution from any party to any Assigned Document in respect of any determination of invalidity of any Assigned Document; and

(d) all instruments, documents of title, books and records of Borrower concerning the foregoing property, including, without limitation, all data and records of inspection, modification, maintenance and overhaul and component lists and manuals relating to the Units;

it being the intent and purpose hereof that the assignment and transfer to Lender to secure payment of the Obligations of said present and future right, title, interest, claims and demands of Borrower in, to and under the Assigned Documents shall be effective and operative immediately and shall continue in full force and effect, and shall include, without limitation, all rights of Borrower (i) to exercise any election or option, or make

any decision or determination, to give any notice, consent, waiver or approval under or in respect of any Assigned Document, and (ii) to collect and receive all Rent, Stipulated Loss Value payments, and other sums relating to the Lease or the Units for application in accordance with the Loan Agreement at all times after the date of this Security Agreement until the Obligations have been fully paid and discharged.

2.3. Proceeds. All proceeds of the foregoing Collateral. The term "proceeds" as used in this Security Agreement includes whatever is receivable or received when Collateral or proceeds is sold, leased, collected, exchanged or otherwise disposed of, whether such disposition is voluntary or involuntary, and includes, without limitation, all rights to payment, including return premiums, with respect to any insurance relating thereto.

SECTION 3. REPRESENTATIONS AND WARRANTIES.

Borrower represents and warrants that the representations and warranties contained in Section 4 of the Loan Agreement are true and correct as of the execution of this Security Agreement and that such representations and warranties shall survive the execution and delivery of this Security Agreement.

SECTION 4. DEFAULTS AND OTHER PROVISIONS.

The term "Event of Default" for all purposes of this Security Agreement shall have the meaning given in Section 8 of the Loan Agreement. When an Event of Default exists, Lender may exercise any and all rights available to it pursuant to Section 10 of the Loan Agreement.

SECTION 5. MISCELLANEOUS.

5.1. Successors and Assigns. This Security Agreement shall be binding upon and inure to the benefit of Borrower, Lender and their respective successors and assigns.

5.2. Partial Invalidity. The unenforceability or invalidity of any provision or provisions of this Security Agreement shall not render any other provision herein contained unenforceable or invalid.

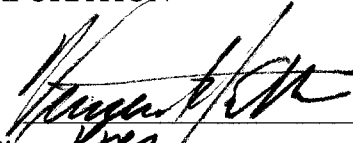
5.3. Notices. All notices provided for herein shall be deemed to have been duly given or made when delivered in compliance with Section 11.9 of the Loan Agreement.

5.4. Amendments. This Security Agreement may only be amended or supplemented by an instrument or instruments in writing executed by the party against whom enforcement is sought.

5.5. Governing Law. This Security Agreement shall be construed and enforced in accordance with and governed by the laws of the State of Illinois applicable to contracts made and to be performed entirely within such state.

IN WITNESS WHEREOF, Borrower has caused this Security Agreement to be executed, as of the day and year first above written.

RESIDUAL BASED FINANCE
CORPORATION

By: 
Title: Pres.

STATE OF ILLINOIS

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ss.

COUNTY OF COOK

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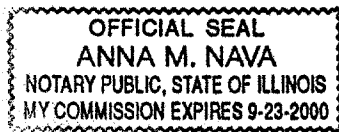
On this 3rd day of June, 1997, before me personally appeared Vincent A. Kolber, to me personally known, who, being by me duly sworn, says that he is President of RESIDUAL BASED FINANCE CORPORATION, that said instrument was signed and sealed on behalf of said corporation by authority of its board of directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Anna M. Nava

Notary Public

My Commission Expires: 9-23-2000

[Notarial Seal]



SCHEDULE 1

LIST OF LOCOMOTIVES

Eight (8) General Motors Electro-Motive Devices Model 6P38 locomotives bearing the following reporting marks:

OLD NUMBER	NEW NUMBER
BAR 87	BAR 359
88	360
81	361
91	362
95	363
97	364
84	365
94	366

LEASE

Equipment Lease dated as of June 28, 1996 between Residual Based Finance Corporation, as lessor, and Bangor and Aroostook Railroad Company, a Maine corporation, as lessee.

Memorandum of Lease dated as of June 28, 1996 between Residual Based Finance Corporation, as lessor, and Bangor and Aroostook Railroad Company, a Maine corporation, as lessee, filed with the Surface Transportation Board on July 2, 1996 at 1:45 PM and receiving recordation number 20186.